

TO: R. Stirlen

DATE: October 21, 1982

FROM: C. Gillis

SUBJECT: THE MERIT REPORT - PUBLIC RELATIONS AGENCY REVIEW

Since its launch in September, 1981, The Merit Report has had five public relations agencies that have provided operations, logistics and media support on a regional basis (see attached list). During the early stages of the promotion when logistics and media were handled by the same PM Department, this arrangement was efficient.

However, now that The Merit Report logistics and media responsibilities have been divided between Brand and Marketing Communications, we have reevaluated our requirements. For the sake of efficiency and economy, our initial determination was to eliminate two agencies (ABO and DBG&H). As you know, we have approached the remaining three agencies (Ingalls, Cushman and Rogers) and discussed the possibility of providing logistics support for one coach for an entire year in each region. In addition, we requested 1983 salaried budgets from the three agencies to determine the financial impact of this proposal.

The budgets received for three agencies for three personnel follow, along with a comparison to the 1982 budget:

<u>Agency/Coach</u>	<u>Hourly Retainer 1982</u>	<u>Salaried Retainer 1983</u>	<u>Difference</u>
ABO - Coach 1	\$ 84,300	\$	
Ingalls - Coach 1	95,150	126,876	
Total	<u>\$179,450</u>	<u>\$126,876</u>	<u>\$ 52,574</u>
DBG&H - Coach 2	\$ 73,550	\$	
Cushman - Coach 2	105,050	83,200	
Total	<u>\$178,600</u>	<u>\$ 83,200</u>	<u>\$ 95,400</u>
Rogers* - Coach 3	\$183,750	\$155,612	
Total	<u>\$183,750</u>	<u>\$155,612</u>	<u>\$ 28,138</u>
TOTAL	<u>\$541,800</u>	<u>\$365,688</u>	<u>\$176,112</u>

*Note: Rogers had Coach 3 for the entire year in 1982.

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For the first time, we have been able to evaluate the agencies on equal terms; with a one-year coach responsibility and on salaried budgets. Clearly, the three-agency approach makes financial sense, with an estimated savings of \$176,112. However, it is still difficult to understand why the fees are so varied. Each agency, particularly Cushman and Rogers, is certain that the logistics responsibilities can be accomplished within the budget provided. We are unable to justify the differences in fees.

It is apparent that the Cushman organization is operating more efficiently than the other agencies. We asked Lee Gottlieb about the possibility of Cushman providing logistics support for all three regions and we began to see the benefits in a one-agency approach:

- Cost - The retainer fee proposed by Cushman to support all three coaches for a full year is \$234,600, compared to \$365,688 for the three agencies. The estimated expenses for Cushman alone would also be less than that of three agencies.
- Control - Logistics control for The Merit Report would be centered in the Chicago office with Lee as overall supervisor. Cushman would build a network that will service the logistics function from their Chicago office for the east coast, St. Louis office for the central region and Los Angeles office for the west coast. Having the logistics coordinators under one agency facilitates a better exchange of information and development of procedures. In addition, staffing, logistics training and on-going supervision of personnel can be handled by the agency.
- Efficiency - From our standpoint, information that must be presented to the agency can now be communicated by one phone call. This greatly reduces the paper work, billing and number of phone calls that are currently being made.

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For the reasons mentioned, we strongly recommend utilizing one agency for logistics support. We have discussed the legal implications with Carl Adkins and the moral implications with Bob Tracey and Cathy Leiber, and there are no problems with eliminating the four agencies.

Ellen will continue to work with these agencies for media support of The Merit Report. Also, we intend to indicate to the agencies that we may want to work with them again at some point in the future.

It is important that the agencies be advised as soon as possible of our decision. Lee will need to employ additional staff and we want to advise the other agencies before they begin to hire for the 1983 program.

I will plan to notify the agencies unless you think it should be handled otherwise. Let me know if you need additional information.

CG/ra

cc: D. Iozzo



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